

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-03 /032 W

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R 291605Z JAN 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 5433

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E.O. 11652: N/A

TAGS: EAIR, IT

SUBJECT: CIVAIR-OTC SITUATION IN ITALY

REF: ROME 873

1. RELIABLE US TRAVEL AGENT BASED IN ROME INFORMED EMBOFF JANUARY 29 THAT ALITALIA HAS ALREADY CONCLUDED OR IS ABOUT TO CONCLUDE CONTRACT WITH DAVID TRAVEL IN US FOR VERY LARGE SERIES OF ONE-STOP INCLUSIVE TOUR CHARTERS (OTC) IN 1976. BASED ON HIS TALKS WITH WELL PLACED ALITALIA SOURCES, HE CONCLUDED THAT THIS (FORTHCOMING?) OTC CONTRACT WILL 'JUST ABOUT EXHAUST' ALITALIA'S 1976 SUMMER CHARTER CAPACITY. SOURCE ALSO REPORTED, BASED ON HIS CONTACTS WITH TRAVEL AGENTS IN US AND ITALY, THAT ALITALIA IS CANCELING ITS EXISTING 1976 AFFINITY CHARTER CONTRACTS AS REPIDLY AS POSSIBLE.

2. OUR SOURCE SAID ALITALIA HAD DECIDED ENTER OTC MARKET BECAUSE COMPETITIVE PRESSURES FROM OTHER (EXPECIALLY US) CARRIERS WERE TOO INTENSE TO RESIST, EVEN THOUGH ALITALIA STILL BELIEVES GETTING INTO OTC BUSINESS WILL REDUCE REVENUES FROM SCHEDULED SERVICES. HE NOTED THAT ALITALIA'S BIGGEST CONCERN RE OTC REGULATIONS IS MINIMUM PRICE, FOR WHICH ALITALIA STRONGLY RECOMMENDING ECAC PER-SEAT-MILE FORMULA RATHER THAT PRESENT CAB REGULATIONS OR EXISTING CIVILAVIA ITC REQUIREMENT. HE EXPRESSED CON-

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CERN THAT TIMING OF ANY NEW CIVILAVIA OTC REGULATIONS,

WHICH MUST AWAIT OUTCOME USG-GOI CIVAIR CONSULTATIONS.
PLUS EXTENT OF ALITALIA'S 1976 OTC PROGRAM, WOULD PRECLUDE
US CARRIERS FROM ENTERING US-ITALY OTC MARKET IN 1976 (IF
ONLY BECAUSE IT NOW TOO LATE TO BLOCK OUT HOTEL RESERVATIONS
EVEN IF US CARRIERS WERE TO HAVE AIRCRAFT AVAILABLE FOR
1976 AT SUCH LATE DATE).

3. COMMENT. BASED ON ABOVE INFO RE ALITALIA'S CANCELLATION
OF EXISTING 1976 AFFINITY CHARTER CONTRACTS, WHICH COULD RE-
FLECT EITHER CIVILAVIA DECISION TO ELIMINATE AFFINITY
CHARTERS IN NER FUTURE OR ALITALIA DESIRE TO SHIFT ITS
CHARTER CAPACITY FROM AFFINITY TO OTC PROGRAM, EMBASSY BE-
LIEVES DEPARTMENT SHOULD SEEK FIRM COMMITMENT FROM GOI
DURING FORTHCOMING CIVAIR CONSULTATIONS ON CONTINUED
CIVILAVIA AUTHORIZATION OF AFFINITY CHARTERS AT LEAST
THROUGH 1976. VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AVIATION REGULATIONS, SUPPLEMENTAL AIRLINES, NEGOTIATIONS, AVIATION AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ROME01519
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760035-0452
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976019/aaaaahkv.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 ROME 873
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 10 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 MAY 2004 by BoyleJA>; APPROVED <17 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR-OTC SITUATION IN ITALY
TAGS: EAIR, IT, ALITALIA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006